

# **FISCAL NOTE**

## **HJR 704**

February 4, 2007

**SUMMARY OF BILL:** Urges the State Treasurer and the Board of Trustees of the Tennessee Consolidated Retirement Systems to identify and divest any investment in companies operating in Sudan, and to refrain from future investment, until the genocide in Darfur, Sudan has ended.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Up to \$1,050,000 / One-Time  
\$104,300 / Annual Amortized Cost**

**Other Fiscal Impact - Increase Federal/Other Expenditures:  
Up to \$350,000 / One-Time  
\$34,700 / Annual Amortized Cost**

#### **Assumptions:**

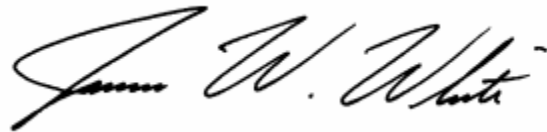
- One additional position in the State Treasurer's Office to implement and perform the ongoing provisions of the bill. Such recurring costs are estimated to be \$109,000 per year (\$94,000 for salary and benefits, \$15,000 for communications, supplies, administrative costs, etc.).
- The recurring increase for annual computer enhancements, software upgrades, and software licensing renewals is estimated to be \$30,000 per year.
- The total increase to recurring expenditures is estimated to be \$139,000 (\$109,000 for one position + \$30,000 for computer/software upgrades and renewals = \$139,000) per year.
- The State Treasurer estimates that 75% of such recurring costs (or \$104,300) would be funded with state funds and the remaining 25% (or \$34,700) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.
- The TCRS portfolio contains approximately \$32.0 billion in assets.
- The State Treasurer suggests divestment could represent as much as 0.5% of the TCRS portfolio (or \$160,000,000 in assets).

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- The State Treasurer estimates a one-time divestment cost between zero (\$0) and \$1,400,000. According to the State Treasurer, there is some indication from the University of California System that TCRS may not hold any prohibited stocks since TCRS is not positioned in emerging markets such as China, which has a dominant presence in Sudan. However, based on the experience of other states with different lists and the information available from the Securities and Exchange Commission, the costs could reach as much as \$1,400,000.
- The State Treasurer estimates that 75% of such one-time costs (or \$1,050,000) would be funded with state funds and the remaining 25% (or \$350,000) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.
- According to the Comptroller, U.S. companies are already barred from doing business in Sudan under a 1997 Executive Order.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and a distinct "W".

James W. White, Executive Director

/rnc